



REPUBLIC OF KENYA

**MINISTRY OF PUBLIC SERVICE, PERFORMANCE AND DELIVERY
MANAGEMENT**

STATE DEPARTMENT FOR PUBLIC SERVICE

**DRAFT PAYROLL MANAGEMENT POLICY
FOR THE PUBLIC SERVICE**

FEBRUARY, 2024

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DEFINITION OF TERMS

Commissions and Independent Offices	These are Commissions and Independent Offices as established under the relevant Articles of the Constitution.
Designation Master File	A listing of employment/ job titles classified by cadres
Departmental Deductions	These are deductions that include imprest, surcharge, salary advance and in advance, court attachments among others.
Detachment	These are inactive employees in the staff register who are not receiving regular salary due to disciplinary action, transfers, postings, leave of absence, unpaid leave and secondment.
Executive Orders	Official documents issued as a rule or order by the President in outlining the operations and functions of the Government.
Exit	Refers to permanent removal of an employee from the staff register.
G-PAY	An electronic system that links Government systems to the internet banking system of the Central Bank
I-TAX	An electronic tax system developed by Kenya Revenue Authority
Listings	Refers to information containing Banks and Sacco details.
Payroll	It is a nominal list of employees and the total amount paid as salaries and wages by a public service organization.
Payroll Administration	It refers to tasks that include payroll processing, payment, accounting and auditing for employees of public service organizations.
Payroll Management	It is the task of compensating employees for services rendered in a public service organization and maintaining related records.
Payroll Manager	The term shall be used interchangeably with the head of human resource management to mean an authorized employee who oversees payroll procedures, ensures compliance with laws and tax obligations, supervises the payroll team and maintains accurate records.
Policy	A guideline, regulation, procedure, set of rules, administrative action or practice of governments and other institutions.

P9	An annual Tax deduction form in respect of each employee generated by employers.
Public Office	An office in the National Government, County Government or the Public Service, if the remunerations and benefits are payable directly from the consolidated fund, directly out of money provided by Parliament and any public funds.
Public Officer	Any state officer; or any person, other than a state officer, who holds a public office.
Public Service	It is a collectivity of all employees other than State officers performing a function within a State organ.
Staff Register	It is an enlistment of all employees in a Government Agency.
State Officer	A person holding a State office.
State Office	Means any of the following offices: President; Deputy President; Cabinet Secretary; Member of Parliament (Member of the National Assembly, Member of the Senate, County Woman Representative), Judges, Magistrates, Governor, Deputy Governor, Member of County Assembly or other member of the executive committee of a County Government, member of commission to which Chapter 15 applies, holder of an independent office to which Chapter 15 applies, Attorney General, Director of Public Prosecution, Secretary to the Cabinet, Principal Secretaries, Chief of the Kenya Defence Forces, Commander of Service of Kenya Defence Forces, Director General of the National Intelligence Service, Inspector General and the Deputy Inspector General of the National Police Service, an office established and designated as a state office by National Legislation.
Third Party	These are institutions which are authorized to have a check-off facility with Government payroll.
Reference data	This term shall be used to refer to standard payroll information that the payroll staff shall refer to but not amend or alter such as banks, bank branches or Counties, deployment area etc.

ABBREVIATIONS AND ACRONYMS

CASB	-	County Assembly Service Board
CBK	-	Central Bank of Kenya
CoG	-	Council of County Governors
CPSB	-	County Public Service Board
DPM	-	Directorate of Personnel Management
DPSM	-	Directorate of Public Service Management
GHRIS	-	Government Human Resource Information System
HRM	-	Human Resource Management
HRMIS	-	Human Resource Management Information System
ICT	-	Information Communication Technology
IHRIS	-	Integrated Human Resource Information System
IPPD	-	Integrated Payroll and Personnel Database
ISCMIS	-	Integrated State Corporation Management Information System
IT	-	Information Technology
OAG	-	Office of Auditor General
MDACs	-	Ministries, Departments, Agencies and Counties
MDAs	-	Ministries, Departments and Agencies
MOH	-	Ministry of Health
MSPS	-	Ministry of State for Public Service
NHIF	-	National Health Insurance Fund
NPSC	-	National Police Service Commission
NPS	-	National Police Service
OCOB	-	Office of the Controller of Budget
PAYE	-	Pay as You Earn
PE	-	Personnel Emoluments
PMIS	-	Pension Management Information System

PSC	-	Public Service Commission
SAGAs	-	Semi-Autonomous Government Agencies
SDPS	-	State Department for Public Service
SCAC	-	State Corporation Advisory Committee
SRC	-	Salaries and Remuneration Commission
TNT	-	The National Treasury
TPAD	-	Teachers Performance Appraisal and Development System
TSC	-	Teachers Service Commission
UPN	-	Unified Payroll Number
UHR	-	Unified Human Resource system

FOREWORD

In line with the Government's Bottom-up Economic Transformation Agenda (BETA) of promoting accountability and openness in the management of public affairs, institutionalizing open governance in all state organs and agencies, the Ministry responsible for Public Service has developed a Payroll Management Policy for the Public Service. The policy has been developed in accordance with the Ministry's function of Government Payroll Policy and Standards as contained in the Executive Order No. 2 of 2023 on Organization of the Government.

As a key function in public service management, payroll management requires uniform norms and standards across the Public Service to ensure timely, accurate, consistent and transparent management of employee remuneration.

Over time, accounting for public funds spent on public service employees has been hampered by absence of a public service payroll management policy. This has led to challenges in payroll data protection, storage, consolidation, analysis, sharing and auditing for decision making. It is imperative that Government expenditure be accounted for to ensure value for money for services offered by employees. This policy will go a long way in ensuring that expenditure on public service remuneration is accountable and verifiable.

The policy will provide a standardized and harmonized approach in the management and administration of the payroll in the public service. All public service organizations are expected to implement the provisions of this policy and the Ministry will regularly monitor its implementation and compliance.

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DELIVERY MANAGEMENT**

PREFACE

Payroll management is a critical function in any organization. The payroll management policy for the public service will provide necessary guidance on payroll management and administration for all public service organizations.

The payroll management policy for the public service provides a framework to standardize and harmonize payroll management. It shall streamline payroll processing through appropriate set standards, controls and norms.

This policy provides guiding principles on payroll management, institutional framework for monitoring, evaluation and reporting for effective and efficient implementation. It provides for capacity building and training for payroll personnel and data management.

It is envisaged that implementation of this policy will address the current gaps in the management and administration of the payroll in the public service.

This policy may be reviewed after every three (3) years or on need basis to address changes in laws, policies, regulations, emerging issues, trends and best practices.

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CHAPTER ONE: INTRODUCTION

This Chapter introduces the Payroll Management Policy in the Public Service. It outlines the Background, Rationale, Objectives, Scope, Implementation, Interpretation and organization of the policy document.

1.0 Background

At independence, the Government inherited from the Colonial Government a lean public service whose main responsibilities among others were: maintenance of law and order; coordination of National development; promoting economic growth and development; managing industrial and commercial concerns where the Government had an interest. Over time, the public service grew exponentially in the period 1963 to 1990 surpassing the economic growth rate of the economy. This exponential growth was attributed to guaranteed civil service jobs for graduates, absorption of the former local authorities' health personnel, East African Community employees and works-paid personnel among other recruitment strategies.

During this period, the Government operated and maintained a centralized payroll run through the Government Information Technology Services (GITS) Computer Mainframe at the National Treasury. The payrolls were prepared manually at the headquarters of Ministries, Departments, Local Authorities and State Agencies (MDAs) and submitted in person to the National Treasury for processing. In order to guide processing of the payroll, the Ministry responsible for Public Service has over time released circulars and guidelines.

The increase in public service employees led to inefficiencies in the management of payroll by GITS, a bloated wage-bill and inability to consolidate data for planning and decision making. To enhance efficiency and effectiveness in payroll management, the Government in 1996 established a taskforce under the then Directorate of Personnel Management (DPM) to develop and implement an Integrated Personnel and Payroll Database (IPPD) system. The system was launched in 2004 in a phased approach to manage both compliment and payroll components. However, not all MDAs embraced the IPPD system leading to fragmented payroll management system across the public service.

1.1 Rationale

A review of various public service organizations comprising of National Government, County Governments, Constitutional Commissions, Independent Offices, State Corporations and Semi-Autonomous Government Agencies (including Public Universities, Tertiary Institutions, Subsidiary Institutions and Funds) among others, established that there is no overarching payroll management policy in the Public Service. The lack of policy has led to public service organizations using different ways of processing payroll that includes manual (use of excel sheet), semi-automated and automated systems. This has resulted in challenges among others

payroll data protection, storage, consolidation, analysis and retrieval and inability to correctly account for payroll expenditure. In addition, there are inadequate internal checks and controls leading to untenable and unaccountable wage-bill.

This policy therefore, will provide a standardized and harmonized approach in the management of the payroll in the public service.

1.2 Objectives of the Policy

1.2.1. General Objective

The general objective of the policy is to provide a framework to standardize and harmonize payroll management in the public service.

1.2.2. Specific Objective

The policy shall provide:

- i) A framework for payroll data processing, storage and protection;
- ii) Streamlined payroll processing through appropriate standards, controls and norms;
- iii) Guidelines for capacity building and training of payroll management personnel; and
- iv) Mechanisms for monitoring, evaluation and reporting payroll management activities.

1.3 Scope

This policy shall apply to all Public Service organizations whose remuneration and benefits are payable directly from the consolidated fund or directly out of monies provided by Parliament or any other public fund.

1.4 Implementation, Interpretation and Review

Public service organisations shall be responsible for implementation of this policy. The Ministry in-charge of Public Service shall be responsible for review and interpretation. The policy may be reviewed after three (3) years or on need basis.

1.5 Organization of the Policy

This policy has been organized in six (6) chapters as follows:

Chapter 1: Introduction;

Chapter 2: Situational Analysis;

Chapter 3: Guidelines, Norms and Standards;

Chapter 4: Legal Framework;

Chapter 5: Institutional Framework; and

Chapter 6: Monitoring, Evaluation, Review and Reporting.

CHAPTER TWO: SITUATIONAL ANALYSIS

This Chapter covers overview of payroll management, Payroll Management systems in the Public Service and gaps in payroll management.

2.1 Overview of payroll management

Payroll management in the Public Service has over time been guided by provisions of relevant legislation and circulars issued to the service by the Ministry responsible for Public Service. Most public service organizations have payroll processing procedures that outline standard guidelines and internal controls that should be applied by payroll staff in generating monthly payroll and maintaining records. Section C of the Human Resource Policies and Procedures Manual for the Public Service, 2016 gives guidelines on salary administration, payment of salaries and allowances which has been adopted by a number of public service organizations.

2.2 Payroll Management systems

Public service organizations use different and independent Payroll management systems. These systems include manual, semi -automated and automated.

2.2.1 Manual systems

This involves manual preparation of the payroll where employees' dues are calculated and paid without use of a software. It may be done on excel sheets or on paper. Manual payrolls are in use in National, County and other Government agencies for payment of various categories of employees among others those on short-term contracts, casuals, interns, project staff, volunteers and those who are yet to be issued with centralized personal numbers. Manual payroll has inadequate internal controls and accountability for resources used on salaries and allowances is difficult to ascertain. Further, storage and retrieval of records for decision making is a major challenge.

2.2.2 Semi-automated systems

Payroll management function in these organizations apply a mix of both manual and limited automation. Ministries, State Departments, County Governments and some Agencies fall under this category with the Integrated Payroll and Personnel Database (IPPD) being the main system that support operations and backup of the data while manual payroll fill in the gaps where IPPD cannot be used.

a) Integrated Payroll and Personnel Database

The IPPD system has four (4) main components namely: payroll administration, complement control, budgeting and skills inventory. The payroll administration component manages remuneration data that is combined with the complement control data to generate monthly

payrolls. The system captures, merges, synchronizes and harmonizes information pertaining to the payroll in Ministries/Departments and County Governments. The system is also used by other public service organizations including State Corporations, Independent Offices, Commissions and Semi-Autonomous Government Agencies.

The system has several benefits including: speed of processing, efficiency in retrieval of data, storage, security of information, report generation, accountability and enhanced operational effectiveness. While IPPD has improved the payroll management, it has the following challenges:

- i. Limited scope of work whereby the bulk of HR payroll data is processed manually;
- ii. Stand-alone installations making it difficult to access and retrieve HR payroll data across public service organizations;
- iii. Data access and retrieval is not possible outside the installation site; and
- iv. The system has no self-service option.

The stand-alone systems restrict the Government's ability to make sound decisions on wage bill management, budgeting and national planning thereby undermining efficiency and accountability in staffing for service delivery.

In view of the above, the Ministry embarked on the design and development of Government Human Resource Information System (GHRIS) that addresses the challenges experienced by the IPPD System.

b) Government Human Resource Information System

Government Human Resource Information System (GHRIS) automates HR processes in Government and provides relevant information to the respective users on real time. The system has six (6) modules. The modules include: recruitment and selection; employee management; training and development; career management; performance management; and payroll administration. Three (3) of the modules are operational in Ministries/Departments and County Governments. The Payroll administration module auto-generates payroll numbers for all public service organizations employees facilitating introduction of such employees to respective payroll.

The benefits of GHRIS include: user interaction; access to online pay-slips; P9; update profile; automated staff performance appraisal system (SPAS); enhanced confidentiality; interface with other systems and generation of reports among others leading to enhanced efficiency.

c) Unified Human Resource system

The Unified Human Resource (UHR) system is a digital platform developed to automate the human resource management services. Migration from the stand-alone system to a Unified Payroll /Web-based has the following benefits:

- i. One stop portal for HR services including payroll administration; establishment control; recruitment and selection; employee management; performance management; training and development; pension claims management and cross cutting services;
- ii. Data consolidation for wage-bill forecasting and HR information for decision making;
- iii. Realtime availability of HR and Payroll data for convenience of work, analysis and decision making;
- iv. Seamless and real-time data exchange achieved through Interfacing with other Government Systems such as i-TAX, CBK, TNT, NHIF, G-PAY, SRC, PSC, OAG, COB among others;
- v. Enable easy tracking, retrieval and accessibility to payroll information thereby facilitating transparency and accountability;
- vi. Enhanced efficiency through availability of the system whenever and wherever internet is available; and
- vii. One Database for the payroll which will help eliminate unnecessary duplication and sharing of payroll numbers.

2.2.3 Automated systems

Public service organizations with automated payroll systems have software solutions that systematizes the payroll process. Enterprise Resource Planning (ERP) systems are the commonly used software solutions. Systems Applications and Products in Data Processing (SAP) is one of the widely used ERP software solutions. SAP is a standardized ready-made product, produced in mass for commercial use by any organization to enhance transparency in payroll pay cycle, reduce costs and streamline processes.

A large number of commercial and non-commercial state corporations use the SAP system whose benefits include:

- i. Providing a powerful payroll solution that can handle complex processes such as retroactive updates;
- ii. Minimizing manual work and provides self-service options for employee's;
- iii. Integrating with core HR, time & attendance, talent management and benefits solutions to ensure HR data is always up to date;
- iv. Simplifying payments to employees, vendors and legal jurisdictions;
- v. Pre-building integration with SAP financial solutions to simplify sending payroll data; and
- vi. Meeting the needs of required legal updates and regulatory changes.

The system however, has the following challenges:

- i. Limited scope - the use and application of the system is limited to individual state corporations;
- ii. The system has limited integration with other payroll management systems;
- iii. The system is expensive to acquire and maintain;
- iv. It requires highly qualified staff for operations; and
- v. It takes long period of time to fully implement the system.

2.3 Gaps in Payroll Management

The gaps identified in payroll management in various public service organizations are as follows:

- i. Difficulty in accessing, integrating and sharing real time consolidated payroll data for the public service for purposes of analysis and decision making;
- ii. Inadequate internal checks and controls which may lead to lack of accountability and loss of public funds due to irregularities and anomalies in the payroll;
- iii. Weak institutionalization of the payroll function in the HR department/division/section leading to unverified documentation and approval protocols to support the payments and recoveries;
- iv. Inadequate capacity development of Heads of HR and their deputies, payroll personnel to build a critical mass of payroll management experts and to improve efficiency, effectiveness, accountability and credibility of payroll records;
- v. Insufficient and vulnerable payroll data storage/backup facilities resulting to possible data loss, manipulation and identity theft;
- vi. Payroll Management by non-HR professionals in some public service organizations leading to unethical and unprofessional practices; and
- vii. Inadequate internal contingency measures in the event of power outage.

The Executive Order No. 2 of 2023 assigns the Ministry responsible for Public Service the mandate to provide strategic leadership and guidance to the Public Service on Human Resource Management and Development including payroll policy and standards. In this regard, the Payroll Management Policy for the Public Service has been developed to provide an overarching policy and address the identified challenges.

CHAPTER THREE: GUIDING PRINCIPLES, NORMS AND STANDARDS

This Chapter outlines guiding principles, norms and standards on payroll management.

3.0 Guiding Principles on Payroll Management

The following guiding principles on Payroll Management in the Public Service shall apply: -

i. Professionalism in payroll management

The payroll shall be managed professionally by qualified and authorized human resource professionals.

ii. Timeliness

Payroll processing shall be carried out within the stipulated timelines as issued by the Government from time to time.

iii. Adherence to the prevailing laws, policies and regulations

Public service organizations shall adhere to prevailing legislations and policies that govern payroll management.

iv. Completeness and accuracy of Employee Records

Public service organizations shall maintain a complete and accurate employees' records that is accessible and retrievable. Such employee records shall be accessed in accordance with relevant data protection laws, regulations and guidelines.

v. Transparency and Accountability

Public service organizations shall observe transparency and accountability in payroll management process.

vi. Confidentiality

Employee information obtained in the course of administering this policy is confidential and shall be treated in accordance with the provisions of the Data Protection Act, 2020 and the Public Archive and Documentation Service Act, 2012.

3.1 Uniform Norms and Standards

Uniform norms and standards in payroll management are aimed at streamlining payroll processes and procedures and harmonizing payroll administration across the Public Service. The following Norms and Standards shall be applicable in the process of payroll management:

i. Institutionalization of payroll management

Payroll management in public service organizations shall be domiciled in the human resource directorate/division/section/units.

ii. Responsibility

- a) The Ministry in-charge of Public Service shall be responsible for overseeing the administration of payroll management in public service organizations.
- b) The Head of HR in the respective public service organization shall be responsible for the administration of the payroll management policy and procedures.
- c) Public service employees shall provide accurate bio-data in regards to payroll management.

iii. One Automated Payroll

Public Service organizations shall maintain one automated payroll for all employees. Subsequently, all manual payrolls shall cease to exist. However, in exceptional circumstances, the Authorized Officer may grant authority to process payment to employees who have exited the automated payroll.

iv. Mandatory Employee records

Public Service organizations shall maintain an up-to-date inventory of all employee's bio-data including employee identification, employment, deployment and payment details among others.

v. Payroll Data

The Head of HR shall ensure that all payroll data has been verified, authenticated and approved before being captured into the payroll. This is aimed at minimizing erroneous data capture being used in payroll processing.

vi. Unified Payroll Number

Public service employees shall be issued with a Unified Payroll Number (UPN). UPN is a unique identifier for public service employees that tracks employment history across public service organizations from entry to exit.

The Unified Payroll Number (UPN), shall be issued centrally to all employees in the Public Service by the Ministry responsible for Public Service. Public Service organizations requesting for UPN shall be required to provide employees' personal data that includes Birth Certificate, National Identity Card/Registration Certificate for foreign employees, Tax PIN, Passport size photo and employment details (date of first appointment, designation, grade and organization).

The Ministry responsible for Public Service shall align approval protocols required in the issuance of Unified Payroll Numbers to the timelines provided in the Customer Service Charter and are reviewed regularly to enhance timeliness and efficiency in the allocation.

vii. Reactivation of UPN

Requests by Public Service organizations for employee UPN reactivation shall be submitted to the Ministry responsible for Public Service.

viii. Classification of Cadres

Classification of cadres shall be based on designations in the respective career progression guidelines and the Framework for Development of Career Progression Guidelines.

The Ministry responsible for Public Service shall develop designation codes for newly created positions in the Public Service and maintain an up to date Designation Master File.

ix. Personnel Emoluments

Personnel Emoluments (PE) budget shall be ringfenced to be utilized for PE items only in accordance with Budget Guidelines.

x. Amendments to the payroll

Heads of Human Resource management shall ensure that all amendments in the payroll are duly authorized.

xi. Payroll processing dates

Public Service organizations shall process their payroll on a monthly basis and pay salaries not later than the last day of the month.

xii. Payroll Generation

Heads of Human Resource shall observe the following while generating Public Service organizations' payrolls:

- a) Changes in employees' payroll data shall be effected within reasonable time;
- b) Statutory deductions shall be recovered first;
- c) Departmental deductions that include imprest, surcharge, court attachments among others are not subject to the one third rule and shall be recovered before third party deductions. In exceptional circumstances, the Authorized Officer may

grant authority to reschedule departmental deductions to avoid officers earning below one third rule.

- d) Third-party deductions shall be subjected to one third rule. To ensure parity of treatment, third party deductions shall be processed on a first come, first served basis.
- e) The payroll system shall maintain the history of deferred deductions; and
- f) The payroll system shall not process negative salary.

xiii. Payroll Cleansing and Corrective Action

Payroll cleansing shall be done continuously by Heads of Human Resource directorates/departments/sections/units and corrective action undertaken as appropriate.

xiv. Exits and Detachments

Public Service organizations shall ensure prompt action on transfers, exits and temporary detachment from the Payroll. Upon expiry of the approved period, officers on secondment and unpaid leave shall be removed from the staff register. In addition, employees who exit the service shall be deleted from the active staff register.

xv. Statutory Deductions

Public service organizations shall ensure that statutory deductions are recovered, verified and remitted to respective Government Agencies in accordance with existing laws, regulations and guidelines.

xvi. Third party data

The Ministry responsible for Public Service shall be responsible for allocating third party deduction code upon fulfilling requisite requirements. Third party organizations shall ensure that data submitted for payroll adjustments is authentic and accurate as per the agreement with the employee before being used for payroll processing.

xvii. Service Charge

Third party organizations shall pay service charge as prescribed from time to time by the Ministry Responsible for Public Service.

xviii. Payment of Salaries

Public service employees' remuneration shall be implemented in accordance with the approved remuneration structures. Employee salary shall be paid through the declared bank account specific to self.

xix. Payment of arrears

Payment of individual arrears amounting to Ksh. 500,000 and above shall be approved by the respective Accounting Officers while arrears below Ksh. 500,000 shall be approved by the Head of Human Resource directorate/division/section/units.

xx. Information Security and Data Protection

Public service organizations shall maintain security safeguards to protect information and data in accordance with the Data Protection Act, 2019 and any other relevant legislation.

xxi. Data Security

Public service organizations shall ensure safety and security of data in safeguarding storage, access and hosting.

a) Storage and Backup

Public Service organizations shall maintain both online and offline back up of the payroll data.

b) Access controls

Officers managing the payroll shall be issued with passwords that have specific user rights. Each officer will be responsible for the security and usage of the password. Accordingly, officers will be required to exercise caution on user rights and shall be held accountable for any action undertaken using their passwords.

User rights and passwords for payroll management shall be allocated in writing to the Head of human resource directorate/department/section/units who shall be held accountable for any changes in the payroll.

c) Payroll Hosting

Payroll data for employees in public service organizations shall be hosted by authorized Government agencies as determined by the Ministry responsible for Information, Communication and Technology (ICT).

xxii. Consolidation of payroll data

Public service payroll data shall be consolidated in a specified format and deposited into the public service payroll data warehouse/depository on monthly basis. A specific link shall be provided where public service organizations shall deposit their monthly payroll data.

xxiii. Electronic Data Exchange

Electronic Data Exchange between Government Agencies and with third-party organizations shall be in the prescribed format, media and in accordance with the prevailing data protection laws, regulations and guidelines.

xxiv. Central updating of reference data

Payroll reference data for public service shall be updated centrally by the Ministry responsible for Public Service as the authorized agency for standardization and uniformity.

xxv. HR Payroll Audit

a) Public service organizations shall conduct pre and post payroll generation audits on monthly basis. In addition, the Heads of HR shall undertake quarterly payroll audits and submit reports to the respective Accounting Officers. Corrective actions from the audit findings and reports shall be undertaken as appropriate and submitted to the Ministry responsible for Public Service as prescribed in **Annex I** of this policy.

b) A Payroll Audit Unit shall be established in the Ministry responsible for Public Service to undertake quarterly and annual payroll audits for public service organizations

xxvi. Payroll Reports

Payroll reports shall be generated from time to time. Such reports shall be in electronic and/or hard copy formats informed by the needs of the user. Among reports that will be generated are:

a) Standard reports on wage bill, bank summaries, earnings and deductions shall be submitted to the Accounting Officer on monthly basis to inform decision making.

b) Ad hoc reports may be submitted to the Accounting Officer on need basis.

xxvii. Internal and External Audit

To ensure payroll data is credible and accurate, public service organizations will conduct both internal and external audits.

a) Internal Audit

Internal auditors shall conduct payroll audits before and after payroll generation to ensure compliance and identify any anomalies and irregularities in the payroll.

b) External Audit

The Office of Auditor General (OAG), PSC, CPSB and State Department for Public Service will conduct Payroll audit periodically.

xxviii. Training of officers managing payroll

Training and capacity building programmes for officers managing the payroll shall be mandatory and conducted continuously to equip them with relevant skills, knowledge and attitudes. Officers who undergo training on payroll management shall be issued with certificate. Accordingly, the Ministry responsible for Public Service in collaboration with stakeholders will develop curriculum and training programmes for officers managing payroll for effective and efficient service delivery.

In order to make the training focused, the State Department shall centrally organize the training programmes.

CHAPTER FOUR: LEGAL FRAMEWORK

Payroll Management in the Public Service has over time relied on Legislations guiding Employees terms and conditions of service. These include:

4.1 Employment Act, 2007

The Act declares and defines the fundamental rights of employees and provides basic conditions of employment.

4.2 Labour Relation Act, 2007

The Act consolidates the law relating to trade unions and trade disputes.

4.3 Pension Act, (Revised, 2008)

The Pensions Act (Cap. 189) makes provisions for the granting and regulating the payment of pensions and gratuities in respect of public service for officers under the Government of Kenya.

4.4 Salaries and Remuneration Commission Act, 2011

It provides for setting and regularly reviews of remuneration and benefits for all State officers. It allows the commission to advise national and county governments on the remuneration and benefits of all other public officers.

4.5 National Police Service Commission Act, 2011 (Revised, 2012)

It provides for the recruitment, promotion, deployment and discipline of Police Service personnel.

4.6 Teachers Service Commission Act, 2012

Established under Article 237 of the Constitution its functions and mandate include registration, recruitment, assignment, promotion, transfer and exercise disciplinary control of Teachers. Review the standards of education and persons entering the teaching service and advise the National Government on matters relating to the teaching profession.

4.7 Public Service Superannuation Scheme Act, 2012

The Act provides for social security to the public service by ensuring that members save in-order to cater for their livelihood during retirement.

4.8 Public Finance Management Act, 2012

It regulates financial management in public service organizations and ensures that all revenue, expenditure, assets and liabilities of these organizations are managed efficiently and effectively. It also provides for the responsibilities of persons entrusted with financial management in public service organizations.

4.9 Occupation Safety and Health Act, 2012 (OSHA) Act

Provides for the safety, health and welfare of workers and all persons lawfully present at workplaces.

4.10 County Government Act, 2012

The Act provides for county governments' powers, functions and responsibilities to deliver services.

4.11 National Social Security Fund Act, 2013 (NSSF)

This act establishes a National Social Security Fund, to provide for contributions and payment of benefits out of the Fund.

4.12 The Intergovernmental Relations Act, 2012

The Act establishes a framework for consultation and co-operation between the national and county governments and amongst county governments.

4.13 The Public Service Commission Act, 2017

Established under Article 233 of the Constitution with a mandate of ensuring that the public service is efficient and effective. It also promotes values and principles in the public service.

4.14 Data Protection Act, 2019

Established under Article 31 of the Constitution provides the right to privacy as a fundamental human right.

4.15 Other legal instruments

Other legal instruments informing the payroll Management Policy for the Public Service include:

- i. Retirement Benefits Act No. 3 of 1997
- ii. Work Injury Benefits Act Cap, 253 of 2007
- iii. Constitution of Kenya, 2010
- iv. Public Archive and Documentation Service Act, 2012
- v. National Social Security Fund No.45 of 2013
- vi. Public Audit Act of 2015

CHAPTER FIVE: INSTITUTIONAL FRAMEWORK

This chapter outlines the institutional arrangements necessary for implementation of this policy and summarizes responsibilities of the respective stakeholders.

5.0 Institutional Arrangement

5.1 Ministry responsible for Public Service

The Ministry responsible for Public Service will:

- i) Review policy and guidelines on payroll management;
- ii) Coordinate implementation, monitoring and evaluation of the Policy;
- iii) Provide guidance on consolidation, analysis and sharing of payroll data;
- iv) Develop and review payroll check-off facilities for use by Third Party Organizations;
- v) Implement measures to enhance data integrity and accuracy for accountability and efficiency;
- vi) Regularly conduct payroll audit and submit a report to the Authorized Officer; and
- vii) Coordinate training and capacity building activities for officers managing payroll in the public service.

5.2 Responsibilities of other key stakeholders:

In addition, the following organizations shall be responsible for roles as indicated in **Table 1**:

Table 1: Responsibilities of other key stakeholders

Agency	Roles
Ministries, Departments, Agencies and County Governments	<ol style="list-style-type: none">i) Implementation of the payroll management policy;ii) Ensure compliance with the payroll management policy;iii) Provide payroll data on monthly basis for consolidation, analysis and sharing;iv) Regularly conduct internal payroll audit and submit reports to their respective Authorized Officers with a copy to Ministry responsible for Public Service;v) Conduct training and capacity building for officers managing payroll in their respective organizations; and

Agency	Roles
	vi) Public Service organizations shall process their payroll on a monthly basis and pay salaries not later than the last day of the month.
The National Treasury (TNT)	Coordinate budgeting and funding for PE Budget.
Public Service Commission (PSC)	Promote values and principles of public service in relation to payroll management.
Salaries and Remuneration Commission (SRC)	<ul style="list-style-type: none"> i) Provide advice on salaries and remuneration of all public service employees. ii) Advise the National and County Governments on the harmonization, equity and fairness of remuneration.
Teachers Service Commission (TSC)	<ul style="list-style-type: none"> i) Responsible for the administration of the human resource management function for Teaching Service ii) Determine remuneration for the Teaching Service in consultation with the SRC iii) Implementation of the payroll management policy; iv) Ensure compliance with the payroll management policy;
National Police Service Commission (NPSC)	<ul style="list-style-type: none"> i) Responsible for the administration of the human resource management function for the National Police Service ii) Determine remuneration for the National Police Service in consultation with the SRC iii) Implementation of the payroll management policy; iv) Ensure compliance with the payroll management policy;
Council of Governors (CoG)	Coordinate human resource matters across the County Governments in consultation with the County Public Service Boards and the County Assembly Service Boards
County Service Boards and	<ul style="list-style-type: none"> i) Implementation of the payroll management policy; ii) Ensure compliance with the payroll management policy;

Agency	Roles
County Assembly Service Boards	iii) Regularly conduct internal payroll audit and submit reports to their respective County Executive Committee Member responsible for public service and the Clerk respectively with a copy to Ministry responsible for Public Service.
State Corporations Advisory Committee (SCAC)	<ul style="list-style-type: none"> i) Advice on the terms and conditions of public servants in State Corporations. ii) Coordinate implementation of the payroll management policy in State Corporations; iii) Coordinate compliance with the payroll management policy in State Corporations.
Office of the Auditor General (Internal)	Conduct annual and/or need based payroll audits and submit a report to the Ministry responsible for Public Service.

CHAPTER SIX: MONITORING, REPORTING, EVALUATION AND REVIEW

This Chapter provides a framework for monitoring, reporting, evaluation and review.

6.0 Introduction

The payroll monitoring and evaluation process shall be conducted on annual basis by the respective public service organizations through payroll audits. The payroll audit reports shall be submitted to the Ministry responsible for Public Service. The Ministry responsible for Public Service shall analyse submitted reports and recommend appropriate action.

6.1 Monitoring

To ensure smooth implementation of this policy, the Ministry responsible for Public Service shall regularly monitor its implementation through scheduled organizational audits of public service organizations.

6.2 Reporting

Public service organizations shall provide quarterly reports using the reporting template and the compliance matrix respectively.

6.2.1. Reporting template

It is anticipated that during implementation of this policy, certain risks may emerge. MDACs should be able to assess, identify and mitigate against the risks. In this regard, a reporting template (**Annex I**) shall be used by public service organizations to record all issues emanating from the payroll that affect the accuracy and integrity of the payroll. Public service organizations shall address emerging issues and take corrective action to prevent recurrence. Where such issues cannot be addressed internally, the issues shall be communicated in writing to the Ministry responsible for Public Service for decision and direction.

6.2.2. Compliance Matrix

The compliance matrix shall record measures undertaken by public service organizations in addressing audit issues raised during previous audits. The audits may be internally or externally generated. The matrix will also be used as an audit compliance reporting tool where public service organizations shall submit quarterly audit reports of their payroll and an implementation plan to the State Department for Public Service. The Compliance matrix is provided as **Annex II** of the policy.

6.3. Evaluation

Evaluation will be done on quarterly basis taking into consideration reporting and compliance matrices. The results of the evaluation will inform training support required for each MCDA. In addition, it will inform future policy direction.

6.4. Review of the Policy

This policy may be reviewed after every three (3) years or on need basis.

Annex I: Reporting template

Name of organization

S/NO	Risk factors	Trends	Probable causes of the issue	Remedial action taken	Corrective action taken
1.	Changes in staff numbers				
2.	Time taken to generate payroll				
3.	Changes in monthly wage-bill				
4.	Proportion of errors				
5.	Training costs as proportion of Salary				
6.	Payroll Reconciliation				
7.	Any others issues observed				

Annex II: Compliance Matrix

Name of Public Service Organization.....

S/NO	Issue	Cumulative number of issues raised	Status of implementation				Remarks on outstanding issues
			No. of issues Resolved	No. of issues Resolved	No. of issues Resolved	No. of issues Resolved	
			Quarter I	Quarter II	Quarter III	Quarter IV	
1.	Number of issues raised from the previous years' Audit						
2.	Number of issues addressed from the last internal Audit						
3.	Number Audit issues raised						

	for the financial year						
4.	Any other issues						